

# ALERT

## BENEFIT LEGISLATION

Volume III, Number 1

### ***Legislative Provisions Affecting CalSTRS Benefits as of April 14, 2003***

The 2003-04 Legislative Session began in January; this is the first year of the two-year session. Each year, legislation is introduced that would, if enacted, improve benefits paid to some CalSTRS members who retire in the future. If you are considering retiring soon, you might be interested to know what bills of this type have been introduced thus far in the 2003-04 Legislative Session. These bills are summarized below to assist you in your retirement planning. Since all legislative proposals are subject to change during the legislative year, please see the box on page two for informational resources to help you stay current on the latest benefit provisions.

#### ***Benefit Legislation Alert***

summarizes only the benefit-increasing provisions that apply to CalSTRS members retiring in the future. The state Legislature may have introduced benefit-increasing proposals that affect CalSTRS members, but do not depend on when the member retires. However, those proposals are not included here.

Generally, when legislation becomes law, unless the bill states otherwise, the benefits become effective on the next January 1 and apply to members who retire on or after the bill's effective date. If passed, the bills summarized in this *Alert* will become effective on January 1, 2004, unless otherwise indicated.

### **Legislation Recently Introduced**

#### **AB 212 (Maze)**

Allows members of the Defined Benefit Program, upon a specified determination by their employer and under terms of a memorandum of understanding, to receive credit for an additional two years of service or two years of age, or both, if those members retire within a designated period, prior to January 1, 2005. This bill may be amended to include an urgency clause so that it will become effective this school year.

#### **AB 265 (Mullin)**

Defines final compensation for all members of the Defined Benefit Program as the highest average annual compensation earnable by the member during 12 consecutive months.

#### **AB 1207 (Corbett)**

Permanently authorizes an employer to offer the Golden Handshake at employer expense, which provides an additional two years of service credit to Defined Benefit Program members. Also establishes a new program, ending January 1, 2005, to provide two additional years of service credit and add two years to the age factor calculation that determines the benefit of a retiree, if the school district pays the actuarial cost. This bill may be amended to include an urgency clause so that it will become effective this school year.

#### **SB 102 (Burton)**

Allows up to two-tenths of one year of unused sick leave to count towards qualifying for one-year final compensation, longevity bonus and other benefit enhancements.



## **Governor's Budget Proposal for CalSTRS**

A bill has been introduced in the first extraordinary session of the Senate (SBX1 20) that seeks to decrease by \$500 million for the 2003-04 fiscal year, the transfer of funds from the state General Fund to the Supplemental Benefit Maintenance Account, which provides purchasing power for benefits paid to CalSTRS members. If the Teachers' Retirement Board determines prior to July 1, 2036 that the loss of \$500 million in contributions has resulted in its inability to sustain the current program through 2035-36, then, subject to certification by the Director of the Department of Finance, the \$500 million, plus interest, will be repaid the following year.

The board voted to oppose this budget proposal, unless it is amended to either (1) provide certain repayment, with actuarial interest, of the contributions not paid in 2003-04 or (2) appropriate compensation in the form of increased benefits to affected members, or both. The board will continue to work with the Governor and Legislature to ensure the system's ability to pay financially sound benefits to retired members.

### *Staying Current on Legislative Changes for Informed Retirement Decisions*

While CalSTRS makes every effort to keep its members informed about changes in its benefit structure, it cannot safely predict what the Legislature and Governor may do that might be of interest to you.

For this reason, you should keep yourself informed about possible benefit changes by consulting the CalSTRS website ([www.calstrs.ca.gov](http://www.calstrs.ca.gov)), the CalSTRS Public Service Office (800-228-5453), CalSTRS retirement counselors, your union representative (if applicable), your legislative representative and any other source that you believe would be helpful before you make any final decision about retirement.

You are ultimately responsible for any decision you make in regards to your CalSTRS benefit.

